

Board of Governors of the Federal Reserve System

**REPORT ON THE
BUSINESS PROCESS REVIEW OF
TRAVEL ADMINISTRATION**



OFFICE OF INSPECTOR GENERAL



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

OFFICE OF INSPECTOR GENERAL

July 31, 1997

The Honorable Alice M. Rivlin
Vice Chair, Administrative Governor, and Budget Committee Chair

We are pleased to present our *Report on the Business Process Review of Travel Administration* (A9702). We performed this review to assist the Board, the Office of the Controller (OC), and the Administrative Systems Automation Project (ASAP) team in redesigning the travel administration process before it is automated in 1998. Our overall objective was to evaluate the efficiency and effectiveness of the existing travel administration function and propose specific actions to foster the design and implementation of an automated process. To accomplish this objective, we studied the existing process and developed baseline performance measures, reviewed external reports on travel reengineering efforts, conducted a "customer satisfaction" survey of 200 recent Board travelers, visited other organizations to observe best practices, and observed demonstrations of commercial travel management software.

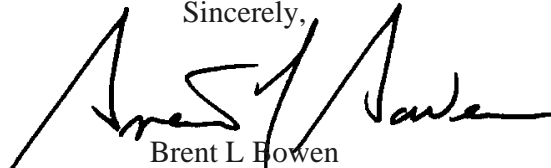
We believe the forthcoming automation of the Board's travel process offers an opportunity for an enhanced level of service to travelers through a faster, simplified process that will bring dramatic increases in administrative efficiency, annual cost savings of about \$270,000, a staff reduction of three positions, and a reduction in processing time from the current three weeks to three or four days. Implementing the proposed changes to travel policies and procedures is consistent with Budget Committee objectives, but achieving the benefits will require support from you and other members of the Board.

This report proposes nine action items to help the Board reengineer the travel administration process that were developed based on initiatives planned by management, our analysis of Board travel policies and procedures, and comparisons with travel management systems at other public and private organizations. The first five action items address changes to current Board policy that include: allowing division directors to authorize their own travel, outsourcing the transportation reservations process, accommodating traveler use of discount fares when advantageous, implementing a gainsharing program that encourages travelers to accumulate and redeem frequent-flyer benefits, and extending the government travel card program Boardwide. The remaining four action items focus on automation requirements and process changes to streamline and simplify the travel authorization process, travel expense reconciliation, billing for air and rail tickets from the travel agency contractor, and invoicing and collecting funds due the Board. The automation features proposed in this report are consistent with the strategic direction set by the ASAP team.

We provided a draft of this report to the Staff Director for Management, and met with him and management from the Office of the Controller and the Division of Support Services to discuss our proposed actions. We incorporated their responses with the action items in a final draft report, and afforded them an opportunity to review our final draft to ensure that their comments were accurately presented. Their responses indicate general agreement with our proposed actions. We plan to follow up on this report as part of our future audit activities.

We are sending a copy of this report to each member of the Board and to selected staff. It is available to the public and can be accessed from FedWeb and our internet webpage at IGMet. A summary of the report and identified funds for better use will appear in our next semiannual report to Congress.

Sincerely,



Brent L. Bowen
Inspector General

Enclosure

Board of Governors of the Federal Reserve System

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TABLE OF CONTENTS

	Page
INTRODUCTION	1
Background	1
Recent Improvements and Future Plans	1
Objectives and Approach	2
CURRENT TRAVEL ADMINISTRATION PROCESS	3
Authorization	3
Arrangements	4
Travel	5
Reconciliation	5
CHARACTERISTICS OF THE CURRENT PROCESS AND ESTIMATED PERFORMANCE MEASURES	9
ANALYSIS AND PROPOSED ACTIONS FOR IMPROVEMENT	10
ATTRIBUTES OF THE PROPOSED PROCESS AND ESTIMATED SAVINGS	23
APPENDIX	27
Appendix - Principal OIG Contributors to this Report	29

INTRODUCTION

Background

Members of the Board of Governors of the Federal Reserve System (the Board), officials and staff and certain nonemployees travel at the Board's expense when conducting official business.

Approximately 4,700 trips to perform official duties; attend conferences, seminars and training; accommodate consultant/contractor travel; and recruit and relocate new hires were made in 1996. Direct travel expenses for that year totaled about \$4,800,000, which represents about 3 percent of the Board's operating expenses. They do not reflect the staff time and resources consumed in administering the travel process.

Recent Improvements and Future Plans

The Office of the Controller (OC) has implemented some recent changes to simplify and improve the travel administration process. In late 1995, the OC introduced the concept of trip numbers, which helps in identifying and collecting all expenses related to a particular trip. In 1996, the OC simplified per diem calculations and raised the threshold for submission of receipts from \$25 to \$75. In March 1997, the OC introduced electronic funds transfer (EFT) for payment of travel advances and reimbursements to travelers, which helped to reduce administrative costs. The OC is also leading an evaluation of the use of government credit cards by Board travelers for payment of lodging and certain other expenses.

The Board is planning to automate the travel administration process as part of the larger Administrative Systems Automation Project (ASAP). The ASAP team and OC staff have begun evaluating various commercial travel software packages, with an aim toward implementing an automated system in 1998. As part of the ASAP automation effort, the ASAP team has learned that a thoughtful review and redesign of existing business processes prior to automation yields the best end result. However, when automating other administrative functions at the Board, the ASAP team has experienced resistance to change and has had to devote significant time and resources to reaching consensus on decisions regarding process and system design. Technology can enable

simplification, efficiency, and better control, but only when applied to a sound process design that meets business objectives.

Objectives and Approach

The purpose of our business process review of travel administration is to assist the Board, the OC, and the ASAP team in redesigning the process before it is automated. Our overall objective was to evaluate the efficiency and effectiveness of the existing travel administration process and propose specific actions to assist in the design and implementation of the ASAP travel module. We evaluated the current process to determine whether it (1) meets the needs of Board travelers, (2) meets the Board's management information and accounting requirements with an appropriate level of internal controls, (3) operates efficiently, and (4) offers opportunities for cost savings or other improvements. Our review encompassed each step in the process, from the point that the need for travel is identified to the point when expenses for the trip have been settled and recorded in the Board's financial records.

We reviewed various studies on reengineering travel administration to help us evaluate the Board's travel management policies and procedures. After obtaining an understanding of the existing process, we developed baseline performance measures from observations and discussions with division administrators and various staff in the OC and Division of Support Services (SS). A traveler survey designed to capture levels of satisfaction with certain aspects of the process was distributed to 200 employees who had traveled during the last quarter of 1996; 115 responded. To ensure that we incorporated best practices into our review, we visited two federal agencies that had already reengineered major components of their travel functions and a Reserve Bank that supports a high volume of travel. We also received demonstrations of the commercial travel management software packages that would be candidates for the ASAP travel module. This business process review represents a different type of analysis from our typical audits; nevertheless, we followed generally accepted government auditing standards.

CURRENT TRAVEL ADMINISTRATION PROCESS

Although the Board is not subject to the General Services Administration (GSA) regulations governing official travel of civilian employees of federal government agencies, it generally conforms with federal travel regulations. The Board's policies and procedures governing travel are documented in the *Internal Administrative Procedures Manual* (the Manual). The travel administration process comprises four basic components:

- authorization, which establishes the purpose and funding for the trip and provides the basis for obtaining government rates for transportation and lodging;
- arrangements, which refers to the process of securing reservations for transportation, lodging, and rental cars;
- travel, which includes the Board's policies on reimbursable expenses and payment for certain expenses by the traveler; and,
- reconciliation, which entails collecting and recording expenses associated with trips and settling expenses with the traveler.

A more detailed description of each component in the current travel administration process is provided below.

Authorization

The travel administration process begins with the preparation of the Travel Authorization form (TA). The Manual states that a TA must be prepared in advance of travel and be approved by the division director or the director's designee for Board staff, by the Staff Director for Management (Staff Director) for division

Travel Authorization		Board of Governors of the Federal Reserve System		
Date: _____	Trip # _____			
To: _____	(authorized personnel, see Board's travel regulations)			
1. Authority is requested for proposed travel on official Board business as follows:				
Traveler's Name _____				
Approximate dates of travel _____				
Itinerary _____ (indicate points of departure, destination, and stop-over)				
2. Purpose of travel _____				
3. a. Travel within the continental U.S. will be performed on the basis of actual necessary transportation and lodging expenses plus either per diem, expenses in lieu of per diem, or, in unusual circumstances, actual expenses. Reimbursement of actual expenses must be approved by the Controller prior to the travel taking place. Send a separate memorandum to the Controller requesting approval.				
b. Foreign travel will be performed on the basis of actual necessary transportation expenses plus either locality per diem including meals, incidentals, and lodging, or actual expenses including actual lodging.				
4. _____ Rental car (explanation required) _____				
5. Cost Center	Accounting Classification	Project Code	Estimated Expenses	Division Rep.
_____	_____	_____	\$ _____	_____
_____	_____	_____	\$ _____	_____
Travel Authorized by: _____				
Signature of Traveler: _____				
Following approval, forward to the Office of the Controller, MS 152. If an advance of funds is requested, note below.				
Amount requested \$ _____	Date required _____	Ext. _____	Ms. _____	
FOR USE BY THE OFFICE OF THE CONTROLLER ONLY				
Amount paid	Check no.	Date paid	Initials	
Travel Advance \$ _____	_____	_____	_____	

FR 649 (12/94)

directors, or by the Administrative Governor for the Staff Director for Management. TAs are not required for members of the Board, job applicants, or individuals who are authorized to travel according to a Board contract or purchase order. There is some variation in procedures followed by Board divisions in preparing, processing, and approving TAs. Typically, however, the traveler or secretarial support staff prepares the TA which documents the traveler's name; trip number; dates, destination, and purpose of travel; accounting code classification to which travel expenses will be charged; estimated expenses; and, if an advance of funds is requested, the amount and date required. The traveler signs the TA and routes it to division management for review and approval. Division administrative staffs assign the trip numbers, review accounting code classifications, compare estimated expenses to funds availability in the division's budget, then initial the TA form. Before forwarding to the OC for further processing, most division administrative staffs make a copy of the TA for division files and record the traveler's name, trip number, dates of travel, and estimated expenses in an automated tracking system. Division administrative staffs maintain these internal tracking systems because it can take several weeks, or months, before actual expenses are reflected in the Board's financial system.

When the TA is received in the OC, a travel specialist inspects it for completeness and compares the approval signature to authorized signature lists. If an advance of funds is requested, a travel specialist enters the trip number, amount of the advance, and payment date in the Board's financial system as a prepaid expense. On the date the funds are to be paid, an "Invoice Cover Sheet" (generated by the Board's financial system), the original TA, and a copy of the TA are routed to an accounts payable clerk who verifies the EFT with the associated documentation and records the EFT amount, date, and sequence number on the original TA. The "Invoice Cover Sheet" and a copy of the TA are retained in the daily expense files, the original TA is retained in an open TA file by month of travel, and the EFT is transmitted to the traveler's bank account.

Arrangements

The SS operates the Board's Travel Desk, which the Manual states should be used for making transportation and lodging reservations for official travel. The Travel Desk is staffed by a Board

employee who purchases and issues airline and rail tickets through Van Slycke & Reeside (VS&R), a contracted commercial travel agency. The Board receives a rebate from VS&R for a portion of the commissions earned on airline and rail tickets purchased through the Travel Desk. The Board incurs expenses for operating the Travel Desk and daily personnel costs for a VS&R agent to cover periods when the Board employee is absent or unavailable. The traveler or support staff provide a trip number to the Travel Desk when reservations are made, which is recorded with the ticket purchase to associate the expense with the appropriate trip. Field staff from the Division of Reserve Bank Operations and Payment Systems (RBOPS) who are on continuous travel status use paper Government Travel Requisition (GTR) cards to obtain government contract fares for air and rail tickets directly from the carriers. As a matter of practice, lodging reservations are typically made through a Federal Reserve Bank when the travel destination is to a Reserve Bank or Branch city, or directly with hotels sponsoring training, conferences, and seminars.

Travel

Reimbursable travel expenses are defined in the Manual. For domestic travel more than 24 hours in duration, the Board generally reimburses actual lodging and ground transportation expenses and a flat per diem rate for meals and incidentals. For foreign travel, Board members and staff may be reimbursed on the basis of per diem including lodging, per diem for meals and incidentals plus actual lodging, or actual expenses. The Board's per diem rates for domestic travel are derived from the meals and incidental expenses component of the GSA per diem rates. Foreign per diem rates are established by the U.S. Department of State. Travelers either use their personal resources or advanced funds from the Board for payment of lodging, meals, and incidental expenses, while the Board typically pays the contracted travel agency directly for air and rail transportation.

Reconciliation

The Manual stipulates that a travel expense statement should be filed with the OC within ten business days following completion of a trip. As with the TA, procedures for processing the travel expense statement vary among divisions. Typically, the traveler completes the expense statement, recording the traveler's name, trip number, and dates of travel, as well as transportation, lodging,

Travel Expense Statement (Please print in ink or type.)	Board of Governors of the Federal Reserve System	Page 1 of ____
Name _____	Address _____	
Social Security Number _____	Phone Number _____	Mail Stop _____
Was Leave Taken <input type="checkbox"/> Yes <input type="checkbox"/> No (If yes, please indicate period of leave on page 2 as instructed in the description column.)		
Purpose of Trip:		
Total Out-of-Pocket Expenses Claimed (from next page)		\$ _____
Less: Advance Received		\$ _____
Amount Claimed		\$ _____
Expenses to be paid directly by Board (i.e., airline, train fares, car rentals, lodging, registrations, etc. Provide supporting documentation.)		
Description		
		\$ _____
		\$ _____
		\$ _____
		\$ _____
		\$ _____
Notes/Explanations		
I certify that this expense statement is true and correct to the best of my knowledge and belief.		
Traveler's Signature _____	Date _____	

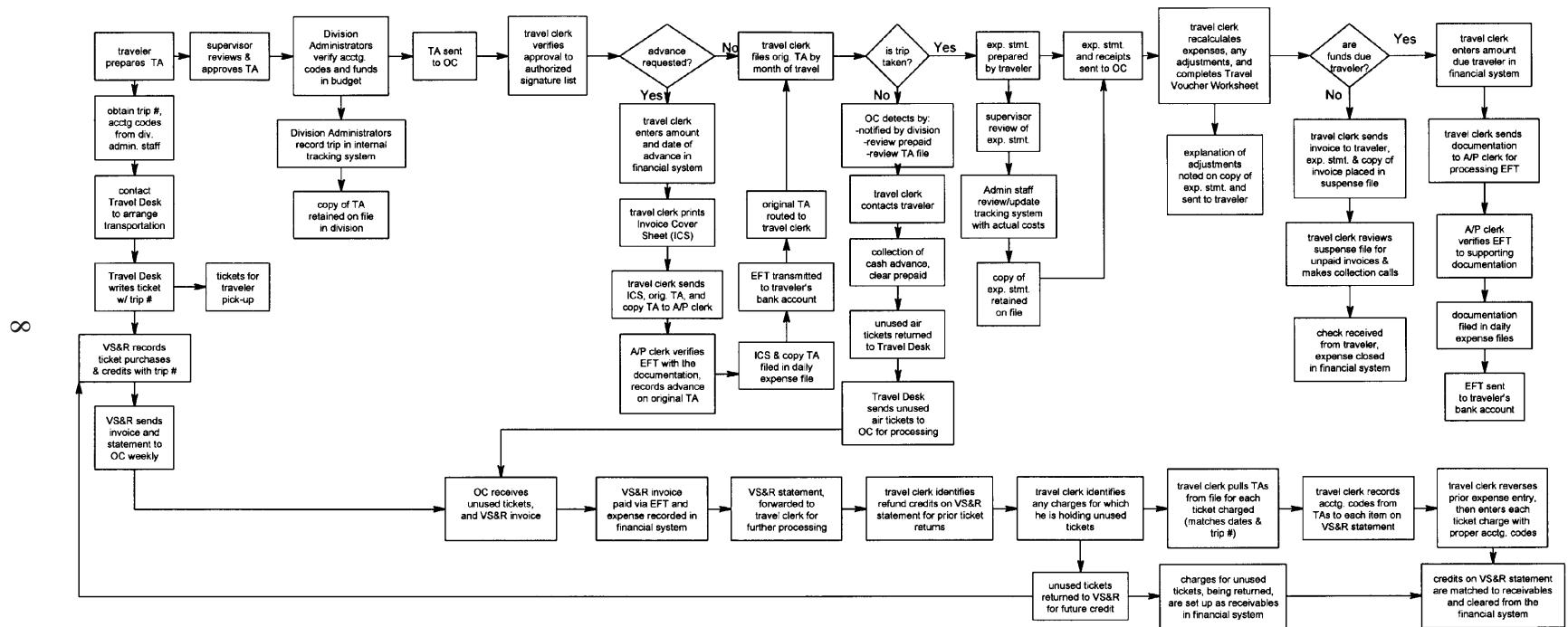
Upon receiving the expense statement in the OC, a travel specialist inspects it for completeness and then retrieves the corresponding original TA from the open TA file. While completing a Travel Voucher Worksheet, the travel specialist recalculates expenses claimed and verifies that required supporting receipts are present. If any adjustments are necessary to the expenses claimed by the traveler, the travel specialist notes the adjustments on a copy of the expense statement and sends it with an explanation to the traveler. If the traveler is due reimbursement for expenses, the travel specialist enters the actual expenses for the trip in the Board's financial system, offsetting

the prepaid expense for any advance of funds, and enters the amount due the traveler. The travel specialist then prints an "Invoice Cover Sheet" and forwards it along with the Travel Voucher Worksheet, original TA, and expense statement to an accounts payable clerk for processing the EFT. When the EFT is generated, the accounts payable clerk verifies the amount to be paid with the supporting documentation before transmitting the funds to the traveler's bank account. The supporting documentation is retained in the daily expense files. If the traveler owes the Board money, the travel specialist sends an invoice to the traveler and places a copy in a suspense file. When a check is received from the traveler, the actual expense is entered in the financial system, and the prepaid expense for the travel advance is cleared.

VS&R sends the Board weekly statements and invoices for all airline and rail ticket activity for the prior week. The accounting supervisor authorizes payment by EFT for the entire amount of the invoice. The VS&R statement is then forwarded to a travel specialist for further processing. The travel specialist pulls the original TAs from the open TA file, which are matched to airfare charges on the VS&R statement by date and trip number. The travel specialist records the airfare charge and GTR number on the original TA and transcribes the accounting code classification from the original TAs onto the VS&R statement for each ticket charged. A travel specialist then reverses the prior expense entry for the total invoice amount, and individually enters each item with the detailed accounting classification in the Board's financial system. Any unused airline tickets are routed to the OC through the Travel Desk and returned to VS&R for future credit. The amounts for unused tickets are entered in the Board's financial system as receivable items. When refund credits appear on the weekly VS&R statements, they are matched to the receivables and cleared from the Board's financial system.

Chart 1 on the following page provides a graphical representation of the current travel administration process.

Chart 1: Current Travel Administration Process Diagram



CHARACTERISTICS OF THE CURRENT PROCESS AND ESTIMATED PERFORMANCE MEASURES

We measured the performance of the travel administration process in terms of cycle time, number of staff dedicated to administering travel, management information availability, and administrative costs. Our estimates indicate that opportunities exist to improve the efficiency of the process. For example, although the time typically spent preparing the TA is about an hour, it often takes several days to get the form approved, reviewed, and filed with the OC. Likewise, the time spent preparing a travel expense statement is about two hours, but it often takes two weeks or more for the traveler to get reimbursed from the date an expense statement is prepared. Furthermore, if travelers do not submit expense statements or remit funds due the Board in a timely manner, travel expenses for completed trips can remain outstanding for months. The primary causes of the delays in the current travel administration process include: manual processing of paper; redundant data entry on forms; duplicate work performed by staff; extensive checking and verification; and the large number of people and hand offs involved in processing TAs, expense statements, and VS&R statements.

In the current process, the OC has three staff people dedicated to administering travel and the SS has one full-time employee staffing the Travel Desk. In addition, considerable time is spent by travelers, management, and support staff who administer travel in divisions across the Board. The current travel administration process does not provide sufficient management information, so most divisions maintain separate systems for tracking outstanding travel expenses. Further, the current process does not allow tracking estimated expenses, and staff in the OC spend considerable time persuading travelers to submit expense statements and remit funds due the Board so that outstanding expenses can be closed. The estimated costs of the current travel administration process are presented in table 1.

Table 1: Estimated Administrative Costs of the Current Process

Description	Hourly Salary*	Hours/Year Administering Travel	Estimated Annual Expenses
Travel Specialists (3 staff x 2,080 hours/year)	19.35	6,240	120,744
Reservations Specialist (1 staff x 2,080 hours/year)	23.06	2,080	47,965
Accounts Payable Clerk (2,080 hours/year x 10%)	19.35	208	4,025
Accounting Supervisor (2,080 hours/year x 10%)	32.32	208	6,723
Division Administrators (4,700 trips x ½ hour per trip)	31.90	2,350	74,965
Secretarial Support Staff (4,700 trips x ½ hour per trip)	16.59	2,350	38,987
Travelers (4,700 trips x 1 hour per trip)	33.17	4,700	155,899
Travelers' Supervisors (4,700 trips x ¼ hour per trip)	41.47	1,175	48,727
Daily VS&R replacement staff (30 days per year)	13.50	240	<u>3,240</u>
Total Estimated Personnel Costs			501,275
Less Estimated VS&R rebate (57% of commissions earned)			<u>(114,000)</u>
Estimated Administrative Costs of Current Process			387,275

* hourly salary figures include a factor for benefits

ANALYSIS AND PROPOSED ACTIONS FOR IMPROVEMENT

We believe that successful reengineering of the Board's travel administration process will result in better service delivery to travelers, more efficient and effective operations, and significant cost savings. Attaining these benefits will require fundamental changes to the Board's policies and procedures as well as automation of a process that involves numerous manual steps. We offer nine proposed action items that will help the Board reengineer travel administration. The first five action items address changes to current Board policy, while the remaining four focus on automation requirements and process changes.

Action Item #1

The Board's current travel policy should be revised to allow senior management at the division director level and above to authorize their own travel, as suggested by the Administrative Governor.

Current Board policy requires the Staff Director for Management to approve TAs for division directors while the Staff Director's TA must be approved by the Administrative Governor. This policy is inconsistent with the level of authority extended to directors. These top level managers occupy high visibility positions and routinely make budget and procurement decisions that affect large sums of Board resources. Both the Administrative Governor and Staff Director believe that top management should be allowed to authorize their own travel and that the current requirement serves no useful purpose. We agree and believe that the current policy requiring approval of directors' travel can be eliminated without significantly hindering internal controls.

Action Item #2

The Board's transportation reservations process should be fully outsourced to its commercial travel agency contractor.

The Board Reservations Specialist that staffs the Travel Desk is responsible for booking air and rail tickets through the commercial travel agency contractor for all Board travelers as well as certain nonemployees. Most division staff members responsible for making travel arrangements whom we interviewed complained that the reservation specialist is so busy that he is sometimes unable to return calls the same day, which creates a bottleneck in the reservations process. This sentiment was confirmed by our traveler survey which showed that only 47 percent of respondents were satisfied with the service provided by the travel desk. Based on our observations, the Reservations Specialist appears to be competent and conscientious, but, in our opinion, one person cannot adequately handle the workload generated by the Board's high volume of travel. All of the organizations we visited outsource the reservations and ticketing function. Moreover, in documents filed to rebid the travel agency contract in April 1997, VS&R stated that they were aware that the Board has considered replacing the Reservation Specialist with travel agency

personnel and pledged to work with the Board to implement this arrangement should this option be chosen in the future.

A contract amendment would be required to assign the entire reservations process to the commercial travel agency, and it should stipulate the level of service required by the Board. For example, a sufficient number of travel agents should be made available to assist Board staff in making reservations during regular business hours and, if agents are busy, they should call back within a reasonable time frame. Reassigning the reservation process to the travel agency contractor will spread the workload over more than one person and should eliminate the current bottleneck. The enhanced level of service that will result from implementing this action item should not affect the overall cost of the reservation and ticketing process because the estimated additional compensation for the travel agency taking on these responsibilities would be offset by the savings that would result from eliminating a staff position.

Management agrees that the duties performed by the Board Reservations Specialist should be outsourced to the contracted travel agency, but they intend to wait until the position is vacated through attrition or reassignment, then renegotiate contract terms with the travel agency.

Management believes that travelers' frustrations with the Travel Desk can be alleviated by administrative actions. To alleviate the bottleneck and frustration with the current process, we believe that if the reservations function is not fully outsourced, then travelers should be given the option to make transportation reservations directly with the contracted travel agency.

Implementing this option would improve service to travelers and reduce the total amount of rebates received from VS&R for tickets issued through the Travel Desk.

Action Item #3

Travelers should be informed of the availability of discount airfares when making flight reservations, and Board policy should be changed to allow payment of expenses incurred during an extended stay necessitated by using discount airfares when cost-justified.

In general, the government contract airfare offers an attractive combination of low cost and flexibility for making changes to arrival and departure flights without additional charges. Federal travel regulations allow the use of noncontract fares when it is advantageous to the agency. While we expect that the contract rate will be used for most trips, there are occasions when significant savings could be realized by taking advantage of various discount fares offered by the airlines. Our traveler survey showed that only a third of the respondents received comparative fare information when making airline reservations.

Significant savings could be realized in those instances when a traveler can accommodate the restrictions associated with discounted fares. In March 1996, the OC distributed internal correspondence encouraging division management to consider discount airfares when making flight reservations. In an effort to stretch its travel budget, the Division of Research and Statistics asked the travel desk to routinely provide alternatives to contract flights if savings could be realized. Furthermore, in a July 1995 report, the Department of Education Inspector General estimated that the agency's airfare costs could be reduced by more than 50 percent in many cases by having the travel agency notify travelers of the lowest available airfares. Because some discounted airfares may require a Saturday stay-over, Board policy would have to be changed to authorize payment of expenses incurred during an extended stay. We believe such a policy change is prudent, provided it clearly stipulates that the total cost of the discounted ticket and extended stay expenses must be less than the cost of the contract airfare.

Management agrees that the Board could make greater use of discounted airfares. Management believes that divisions should be given discretion for deciding when discount airfares are advantageous and responsibility for ensuring propriety of their use.

Action Item #4

An incentive program should be established that encourages travelers to accumulate and redeem frequent-flyer benefits for free airline tickets for future Board travel.

While government ethics rules preclude employees from using frequent-flyer miles accrued on official travel for personal use, they permit use for other official travel. Less than 20 percent of Board staff who responded to our survey accumulate frequent-flyer miles when traveling on official business. Recognizing the potential benefit to the government of capturing frequent-flyer miles, the GSA has implemented an innovative program (referred to as the “Gainsharing Travel Savings Program”) that rewards employees who save the agency money while on official travel. The program was created under the auspices of the Government Employees Incentive Awards Act that authorizes an agency to pay a cash award to employees who have provided “efficiency” or “economy” to the government. As part of this program, GSA offers cash awards to employees who accumulate frequent-flyer miles earned while on official travel and turn these miles over to the agency. GSA redeems frequent-flyer miles for a free airline ticket and pays a cash award equal to one-half the cost of the government contract fare for the trip taken using the redeemed frequent-flyer miles. If there is no contract fare, then the lowest available nonrestricted coach fare is used as the basis for calculating the cash award.

Implementing a gainsharing program would allow the Board to tap the benefits available from frequent-flyer programs. The Board need not limit itself to the gainsharing formula employed by GSA, but should explore alternatives and implement an approach that best serves its needs. We believe that a Board-sponsored frequent-flyer gainsharing initiative will have the potential for significant savings in airline ticket costs because the program is likely to enjoy widespread participation; over eighty-five percent of the respondents to our traveler survey said that they would begin accumulating frequent-flyer miles if the Board implemented a gainsharing program.

Management agrees that the Board should consider a frequent-flyer award gainsharing program and that further analysis of administrative and reporting requirements needs to be conducted to ensure that a business case exists to support implementation.

Action Item #5

The government travel credit card program should be fully implemented, and permanent advances given to staff currently on continuous travel should be reclaimed.

The government travel credit card program offered by American Express has garnered widespread participation among the federal agencies. Under this program, frequent travelers (usually defined as staff who have taken two or more trips in the previous year) receive an American Express card issued in their name that can be used to charge travel-related expenses, such as hotel bills, rental cars, and meals. Travelers are billed directly by American Express and are responsible for paying the balance on time. Two agencies we visited participate in the program, and cite as the principle benefits the cash rebate for a percentage of all purchases made with the card and the reduced need for cash advances. The OC has evaluated use of the government travel card and recommended that the Board go forward with the program. The Board has taken an initial step toward implementing the card program and is currently pilot testing its use in the RBOPS. In addition, the OC is in the process of establishing a central government travel card billing account to charge all airline and rail tickets. We endorse this action because it will allow the Board to begin earning cash rebates offered by the government credit card program; however, when the government travel card is fully implemented, airline and rail tickets could be charged directly on the traveler's card.

Lessons learned from the pilot test should be applied to expedite Boardwide implementation of the government travel card program. In our view, the benefits of the program are significant enough to warrant immediate adoption. The OC's review of the card program noted that some hotels will not honor government discounts and exemptions from certain occupancy and sales taxes unless the government credit card is used. Administrative savings also would be realized because fewer travel advances will be needed and permanent advances issued to RBOPS field staff would no longer be justified and could be reclaimed. We recognize, however, that the program may meet with some initial resistance from Board staff. About 65 percent of the respondents to our traveler survey indicated they would rather not use a Board credit card if they were given the choice. Some of the apprehensions that were voiced included the burden of having to deal with the record keeping requirements of yet another credit card, concerns over getting prompt reimbursement so

the bill could be paid timely, and the loss of benefits from various promotions that accrue from the use of personal credit cards. Officials at the federal agencies we visited told us that there was some initial anxiety felt by their staffs when the card was first introduced, but it subsided quickly and the program enjoys widespread acceptance at both agencies.

Management agrees that participation in the government travel credit card program would be advantageous to the Board, and initial steps have already been taken toward implementation.

Action Item #6

The travel module of ASAP should include the following minimum requirements for automating the travel authorization process: (a) an electronic travel authorization form, (b) automatic routing to the designated supervisor for electronic approval and trip number assignment, and (c) automated interfaces with the budget and financial systems.

The current process for preparing, approving, and processing travel authorization forms and cash advances involves at least five persons and takes at least three days. Automating the travel authorization process using currently available travel management software offers a solution to simplify and dramatically improve the efficiency of the travel authorization process. Below we offer a thumbnail sketch of how the Board's reengineered travel authorization process could work using commercially available travel management software.

The proposed process would begin by accessing an electronic travel authorization form, which would automatically fill in the travelers' name, address, division, and accounting codes from a traveler profile database. The dates and travel destination are entered along with proposed flights, hotel, and car rental (if required), all chosen from databases included in the software. The software uses this information to automatically calculate the estimated cost of the trip including per diem. The completed form is then routed to the designated supervisor for review and approval. The supervisor reviews the form and, using an interface to the Board's budget system, checks the availability of funds in the travel budget. The supervisor approves the travel authorization electronically, the system assigns a trip number, and if an advance was requested,

the interface with the accounts payable system automatically generates an EFT on the date specified.

While the current travel authorization process can take several days starting from the day that the form is prepared and sent for approval until the travel advance is received, this streamlined travel authorization process would reduce the elapsed time to one day. Outstanding trips and their associated estimated costs could be tracked on-line to ease financial management in the divisions and the OC. Automated controls embedded in the software would eliminate time-consuming manual tasks performed by the OC staff, such as double checking approved travel authorizations and the manual steps required for processing travel advances. Accordingly, the number of staff involved in processing the travel authorization could be cut from five to two.

Management agrees that automation of the travel authorization process should include an electronic TA form with built-in databases, electronic routing and approval, and automated interfaces to the Board's budget and financial systems. Management indicated that they have included such requirements in their plans for evaluating travel management software.

Although management indicated that our proposed automation features were included in their plans for evaluating travel management software, they were unable to provide us with documentation evidencing user requirements or evaluation criteria for the automated travel module of ASAP.

Action Item #7

The travel module of ASAP should include the following minimum requirements for automating the travel expense voucher process: (a) an electronic expense statement form (b) electronic routing and approval, and (c) an automated interface with the Board's financial system. Travel expense voucher procedures should be changed so that designated personnel in the divisions are responsible for approving expenses and retaining paper receipts at the division level.

Timely reimbursement and ease of the voucher process are critical satisfaction issues reported by

travelers in our survey and interviews, while the OC is primarily concerned with the accurate and timely recording of travel expenses in the Board's financial system. The current process for preparing, approving, and processing travel expense statements involves up to five people and takes anywhere from one to two weeks. As with the travel authorization process, automating the travel expense statement process offers an opportunity to simplify and significantly improve the efficiency of reconciling and recording travel expenses.

Currently available travel automation software that we observed at other organizations incorporate data transfer from the travel authorization form to the expense statement. These data typically include the traveler's name, accounting classification codes, air fare, and travel dates and destinations. Furthermore, travel automation software can automatically calculate per diem and certain other travel expenses. Inheriting information from the TA when completing the expense statement and automating calculations eliminates redundant data entry, reduces the probability of errors, and simplifies preparation of the expense statement, thus reducing the need for manual controls. Upon completing the expense statement, the traveler can automatically submit the voucher to the designated individual for on-line review and approval.

To achieve additional efficiencies and to better align expense control with those responsible and accountable for expenditures, we believe that on-line review and approval of expense statement vouchers should be performed in the divisions by division directors' designees. Some divisions already perform this function in addition to the 100 percent review currently performed by OC staff. Division supervisors authorize travel, control travel budgets, oversee a traveler's performance, and are better able to determine the propriety of travel expenses claimed, while staff in the OC are only able to verify the calculation of expenses and determine compliance with Board policies on reimbursable expenses. Therefore, we believe it is appropriate to place responsibility for approving travel expense vouchers with division supervisory personnel. Once the reviewer approves the travel expense voucher, interface with the Board's financial system will allow automated recording of accounting transactions, and any reimbursement due the traveler can be automatically processed by EFT. The travel management software should have automated edits to

verify data migrated to the financial system. Paper receipts for items in excess of \$75 should be retained on file in the divisions for a period of three years to comply with Internal Revenue Service rules.

While the current travel expense voucher process involves several hand offs of paper forms, and can take weeks to complete, the proposed process could be completed by the traveler and the supervisor in one day. The interface with the Board's financial system, with the appropriate accounting codes for expenses flowing from the travel management software, will eliminate the need for manual intervention to determine accounting codes and to key expense entries into the Board's financial system. The 100 percent manual review and recalculation of travel expenses currently performed in the OC should be eliminated. A periodic review of travel vouchers, using statistical sampling methods, could be used to promote accurate recording of travel expenses, compliance with Board policies on reimbursable travel expenses, and proper retention of supporting documentation.

Management agrees that automation of the travel expense voucher process should include an electronic expense statement with automated calculations, electronic routing and approval, and an automated interface to the Board's financial system. Management indicated that they plan to include such requirements when evaluating travel management software. Management does not agree with our suggestion that responsibility for approving travel expense statements should be placed with division personnel. They point out that the travel, its purpose, the itinerary, estimated costs, and other relevant information is included on the travel authorization, which is approved in advance by division management. Management strongly believes that the OC is in the best position to consistently evaluate the propriety of travel expenses and that the office provides an extremely valuable service to the Board by ensuring consistent enforcement of the Board's travel policies. Management believes that placing the responsibility for review and approval of claims at the division level could easily result in inconsistent application of Board policies, would unnecessarily prolong the processing cycle, and would require the training and retraining of large numbers of personnel who would become responsible for approving expenditures. They also point

out that while all travel expense statements are reviewed by travel staff in the OC, this process has been simplified by some recent changes to the Board's travel policies. Management stated that once the full capabilities of the planned automated system are known, the review process will be modified accordingly. They also stated that, for those divisions or supervisory personnel who wish to review travel claims, the planned automated system will provide on-line query capability and reports to serve this purpose.

Our proposed action to place responsibility for review and approval of travel expenses with division personnel that are responsible and accountable for budget expenditures is a practice recommended by the Joint Financial Management Improvement Program (JFMIP) in their December 1995 report, *Improving Travel Management Governmentwide*. Accordingly, federal travel regulations were amended in October 1996 to allow agencies to shift responsibility for travel voucher review from voucher examiners to the travel authorizing/approving official or his or her designee. Moreover, our benchmarking visits and review of reengineering reports at five other federal agencies showed that all these agencies had shifted responsibility for travel expense review and approval to the authorizing individuals or their designee. The primary reasons presented by these agencies for placing this responsibility with authorizing individuals were that they were uniquely qualified to determine the propriety of trips and their associated expenses, they were ultimately accountable for expenditures, and it provided an opportunity to streamline administrative operations. Automating the travel expense statement, with built-in databases for computing per diem, mileage, and other expenses would greatly simplify the preparation and review of travel vouchers. In addition, Board travel policies are readily available to authorizing individuals on the Board's intranet. Therefore, we believe that the majority of travel vouchers could be easily reviewed and approved by division personnel without significantly compromising the accuracy of reimbursed expenses, the timeliness of processing, or the consistency of applying travel policies.

Action Item #8

We endorse the OC's efforts to arrange electronic data interchange from the contracted travel agency for recording air and rail ticket expenses in the Board's financial system. The OC should complete data collection, interface design, and testing to expeditiously implement this process improvement.

Staff in the OC recognize the inefficiencies involved in manually reconciling the weekly statements from VS&R and recording the associated ticket charges with the corresponding trips and accounting classification in the Board's financial system. The contract recently signed with VS&R and interviews that we conducted with staff from the OC and SS indicated that VS&R is willing to provide all of the information the Board desires in electronic format. VS&R has also expressed a willingness to merge travel data with billing information from a third party if the Board uses a central billing account under the government travel credit card program. By including the appropriate accounting classification codes in a traveler profile database (or providing this information separately when making transportation reservations), all of the information required for electronic data interchange can be captured and automatically fed into the Board's financial system. The billing data provided by VS&R should be automatically edited to verify the propriety of data migrated to the Board's financial system.

The OC could also eliminate the manual reconciliation of bills received directly from airlines for tickets purchased by field examination staff in RBOPS with paper GTR forms. This can be accomplished by requiring the field staff to either use the government travel credit card or contact the travel agency for securing transportation arrangements.

The OC and ASAP team have recently taken steps to provide the travel agency with the necessary accounting information and to design an interface with the Board's financial system that will allow electronic billing/data interchange from the contracted travel agency. Automating the reconciliation of invoices from the travel agency and recording the associated accounting entries in the Board's financial system will save the OC about two staff-days per week.

Action Item #9

Procedures for submitting travel expense statements, invoicing travelers, and collecting funds due the Board should be strengthened by implementing an automated notification system.

The Manual states that a travel expense statement shall be filed with the OC within ten business days after the completion of a trip. In practice, it can take several weeks for some travelers to submit an expense voucher. If, when the expense statement is filed, the traveler owes the Board for advanced funds that were not used, the OC sends an invoice to the traveler and places a copy of the invoice in a suspense file. Currently, staff in the OC periodically review outstanding prepaid expenses and the open TA file to identify completed trips that have not been vouchered. They also periodically review the invoice suspense file to follow up on unpaid invoices that were sent to travelers. Staff in the OC reported that considerable time is spent encouraging travelers to submit their expense statements and collecting funds due the Board. Outstanding trips have caused particular problems at year-end when the OC is trying to close the financial records for the year and travel expenses have not been recognized for completed trips.

Two organizations that we visited use an automated system to deliver notifications to travelers who do not submit expense statements or have not remitted funds due the organization within prescribed time frames. A second notification is sent to the traveler and his supervisor, or officer, if no action has been taken by the traveler after a specified number of days have elapsed since sending the initial letter. These organizations reported that they do not have significant problems with outstanding vouchers and repayments, which they attributed primarily to the automated notification process. We believe that the Board can speed the recognition of actual travel expenses by using an automated notification process.

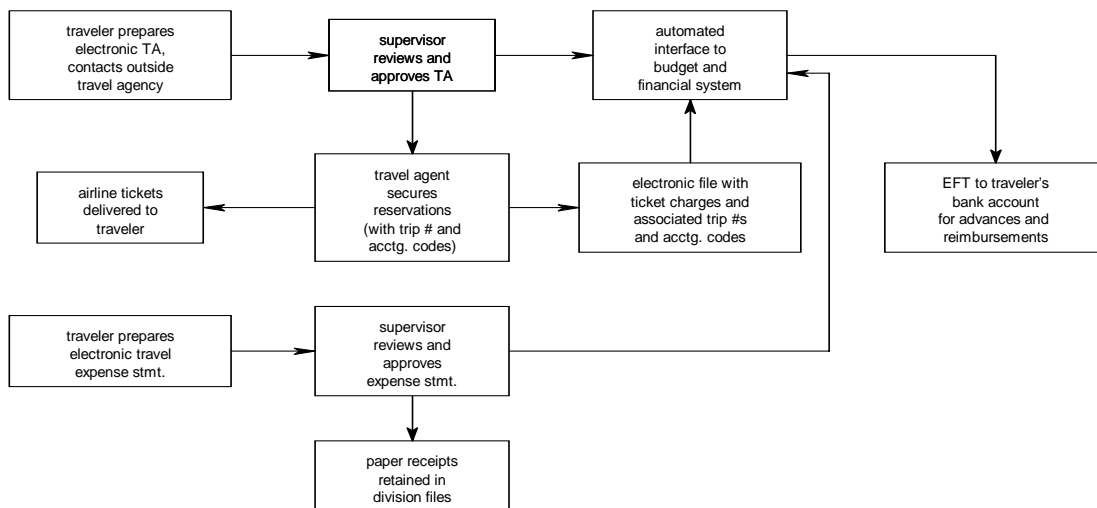
Management agrees that using an automated notification system will improve their ability to collect expense statements and funds due the Board in a more timely manner. Management also indicated that recent efforts to strengthen enforcement of current Board policy has helped speed the recognition of travel expenses for completed trips.

ATTRIBUTES OF THE PROPOSED PROCESS AND ESTIMATED SAVINGS

Implementing our proposed actions would produce an automated travel administration process without the need for time-consuming activities like matching forms and expenses from multiple sources, checking approvals and recalculating numbers, or entering information in various forms and systems. Commercially available travel management software with the appropriate automated interfaces could perform many of these functions and result in a dramatically more efficient process that would satisfy the management information needs of divisions and improve the timeliness and accuracy of recording travel data in the Board's financial system. The total cycle time of the administrative process for a trip could be reduced from the current two or three weeks down to three or four days. Of course, automated controls, such as security, change control, defined user access levels, and data edits and recalculations, would need to be embedded within the system to maintain a satisfactory level of internal control.

The chart below represents the proposed travel administration process.

Chart 2: Proposed Travel Administrator Process Diagram



Travelers would enjoy a better level of service through simplified preparation of travel requests and expense statements, faster processing of travel authorizations and reimbursements, and improved access to transportation reservation agents. Travelers would also have the opportunity to share in the cost savings associated with implementing a gainsharing program to take advantage of frequent-flyer awards.

The policy and procedure changes proposed in this report, together with the proposed automation features and process improvements, could result in direct and administrative cost savings or funds for better use¹ of about \$270,000 annually, as shown in tables 2 and 3. These estimated cost savings reflect annual operating costs only and do not reflect the initial costs associated with software acquisition and integration. In our opinion, the number of staff positions dedicated to administering travel in the OC could be reduced from three to one. We also believe the staff position and the office resources dedicated to operating the Board's Travel Desk could be eliminated. Estimated time savings that could be realized by travelers, supervisors, and administrative staff in the divisions were developed based on discussions with various Board staff and information obtained from other organizations that had reengineered their travel administration process. These efficiency gains result in administrative cost savings that may not be easily allocable to other Board programs or activities or reductions in budget allowances.

¹Section 5(f)(4) of the Inspector General Act states that the term "funds be put to better use" means: reductions in outlays, deobligation of funds from programs or operations, withdrawal of interest subsidy costs on loans, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in reviews of contract agreements, or any other savings which are specifically identified.

Table 2: Estimated Administrative Cost Savings

Description	Hourly Salary*	Hours/Year Administering Travel	Estimated Annual Expenses	Current Estimated Expenses (from Table 1)	Savings
Travel Specialist (1 staff x 2,080 hours/year)	19.35	2,080	40,248	120,744	80,496
Reservations Specialist (none required)	23.06	0	0	47,965	47,965
Accounts Payable Clerk (2,080 hours/year x 10%)	19.35	208	4,025	4,025	0
Accounting Supervisor (2,080 hours/year x 10%)	32.32	208	6,723	6,723	0
Division Administrators (no time administering trips)	31.90	0	0	74,965	74,965
Secretarial Support Staff (4,700 trips x ½ hour)	16.59	2,350	38,987	38,987	0
Travelers (4,700 trips x ½ hour)	33.17	2,350	77,950	155,899	77,949
Travelers' Supervisors (4,700 trips x ½ hour)	41.47	2,350	97,454	48,727	(48,727)
Daily VS&R replacement staff (none required)	13.50	0	<u>0</u>	<u>3,240</u>	<u>3,240</u>
Total Estimated Personnel Costs			265,387	501,275	235,888
Estimated Annual Software License and Maintenance Fees			75,000	0	(75,000)
Less Estimated VS&R rebate (30% of commissions earned)			<u>(60,000)</u>	<u>(114,000)</u>	<u>(54,000)</u>
Total Estimated Administrative Costs			280,387	387,275	106,888

* hourly salary figures include a factor for benefits

Table 3: Estimated Administrative and Direct Cost Savings

Description	Estimated Annual Savings
Estimated Administrative Cost Savings (from Table 2)	106,888
Estimated Savings from Government Travel Card Program (about \$30,000 in cash rebates, remainder from increase in obtaining government rates and tax-exempt status)	40,000
Estimated Savings on Discount Airfares (assumes 40% discount and 10% usage)	80,000
Estimated Savings on Frequent Flyer Gainsharing Program (4,000 air trips x 1,000 miles per trip ÷ 20,000 miles for free ticket x \$400 per ticket ÷ 2 for gainsharing)	<u>40,000</u>
Total Estimated Administrative and Direct Cost Savings	266,888

APPENDIX

Appendix - Principal OIG Contributors to this Report

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